

THIRD IMPLEMENTATION PLAN

FOR THE

MOUNT HOPE REDEVELOPMENT PROJECT

PREPARED FOR

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I. INTRODUCTION

This document contains the five-year Implementation Plan for the period of July 2004 – June 2009 for the Mount Hope Redevelopment Project (Project Area), administered by Southeastern Economic Development Corporation (SEDC). The Implementation Plan is being prepared and adopted in accordance with State Health and Safety Code Section 33490 and related sections. These sections outline the purpose and requirements of the Implementation Plan as follows:

- Agencies were required to adopt their first five-year Plan(s) for existing Project Areas by December 1994.
- Each Plan must state the Agency's goals and objectives for the Project Area, identify specific programs and expenditures over the next five years, and describe how these goals and objectives, programs, and expenditures will alleviate blight.
- Each Plan must identify approaches to increase, improve and preserve the supply of low and moderate income housing. The Plan must further incorporate a plan to meet mandated housing production, affordability, and targeting income requirements.
- Each Plan can be adopted only after conducting a noticed public hearing.

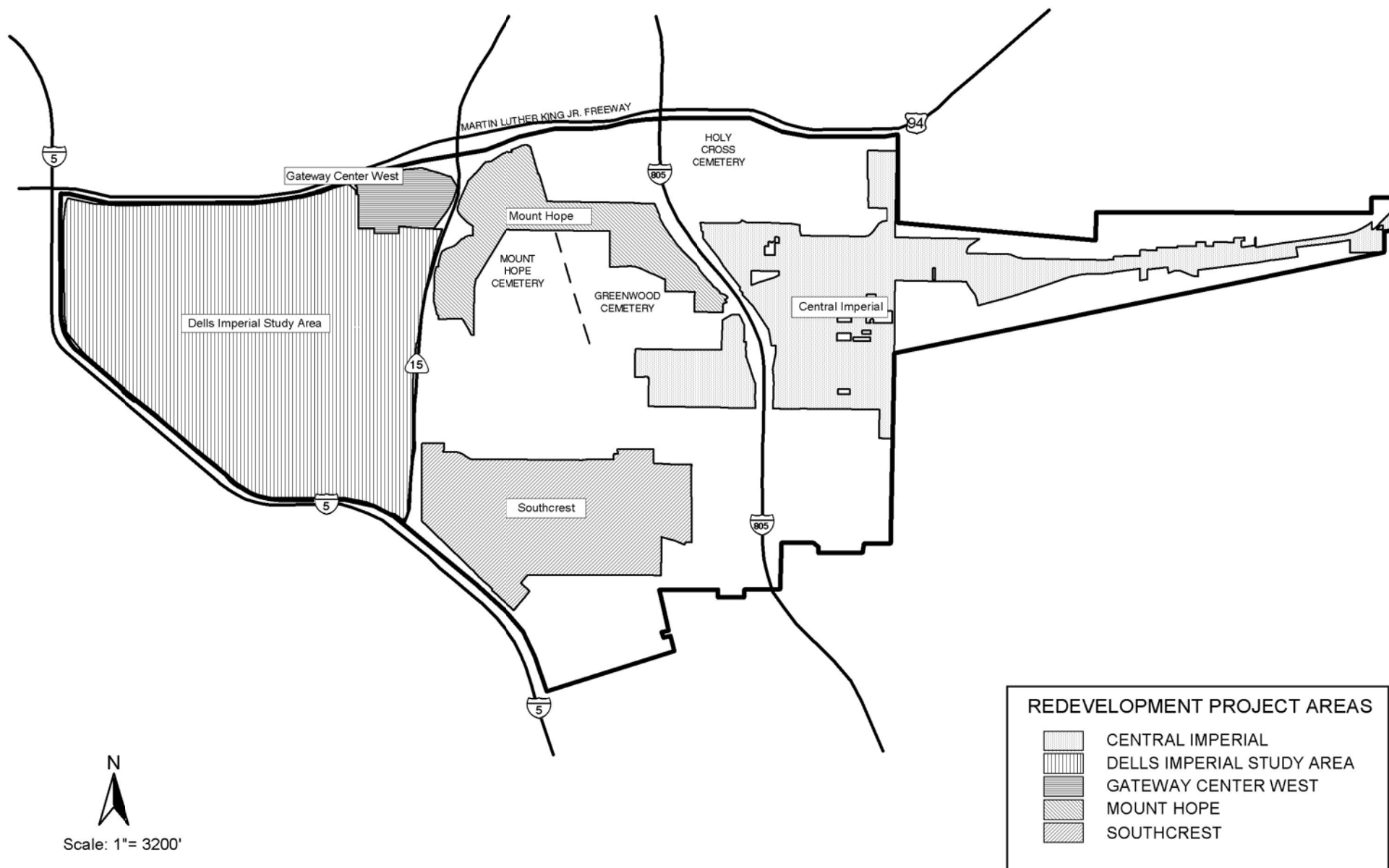
A. Southeastern Economic Development Corporation

SEDC serves as the Redevelopment Agency's representative in managing redevelopment and economic development activities within a 7.2-square-mile area in Southeastern San Diego. SEDC's area of influence is bounded by Highway 94 on the north, Interstate 5 on the south and west, the City of National City on the south, and 69th Street on the east (Figure 1). SEDC's mission is:

"To implement and encourage the development of quality commercial services and housing development. To eliminate blight, adverse environmental conditions, and to foster long-term job opportunities for Southeastern residents. To promote growth and enhancement for all residents in the SEDC area of influence."

B. Mount Hope Redevelopment Project

The Mount Hope Redevelopment Plan was adopted on September 14, 1982. The Mount Hope Redevelopment Project Area (Project Area) contains approximately 210 acres located



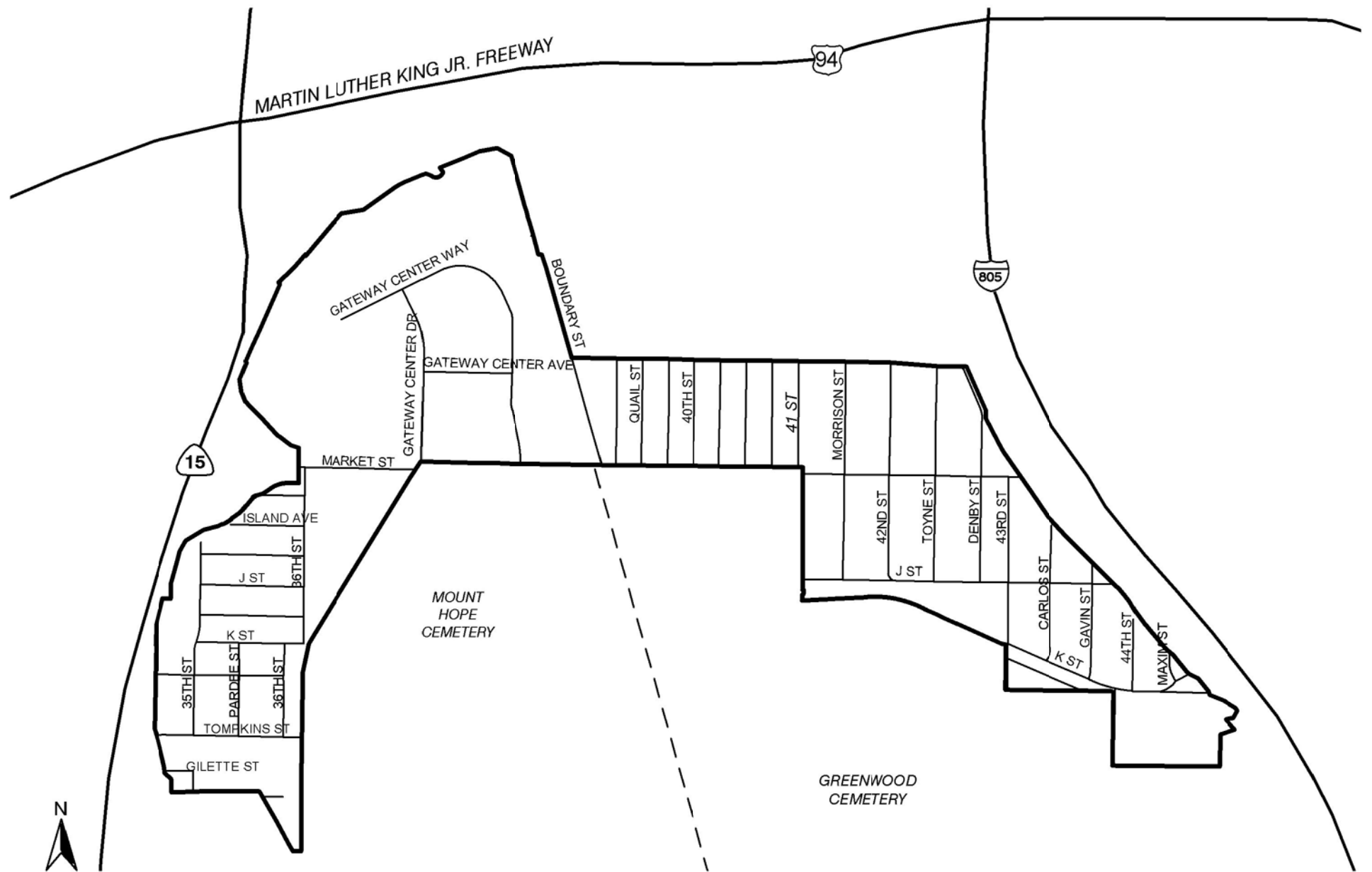
between the State Route 15 (SR-15) and Interstate 805 (I-805) freeways in the southeastern portion of the City of San Diego. The Project Area is located in the eastern one-third of the Southeast San Diego Community Planning Area.

A map of the Project Area is shown in Figure 2 and a detailed profile of the Project Area is provided in Table 1.

C. Implementation Plans

In June 1994, the Redevelopment Agency of the City of San Diego (Agency) approved implementation plans for all of its redevelopment projects, in accordance with Section 33490 of California Redevelopment Law (CRL). This included the four (4) adopted redevelopment projects administered by SEDC, which are the Mount Hope, Gateway Center West, Central Imperial, and Southcrest Redevelopment Projects. Each implementation plan covered a five-year period, from 1994 to 1999, and set forth the specific goals and objectives for its respective area. These implementation plans also identified the specific redevelopment activities and/or programs that were anticipated to be “implemented” (e.g., completed) to assist in the alleviation of blighting conditions. In addition, they identified the projected expenditures associated with the redevelopment activities/programs; described how each activity/program would alleviate blight; and explained how the goals, objectives, projects, and expenditures would implement the CRL’s low and moderate income housing set-aside and housing production requirements. These implementation plans, adopted in June 1994, are referred to as the “Initial Implementation Plans”.

As noted above, after adoption of the “Initial Implementation Plans”, redevelopment agencies are required to review and adopt updated implementation plans every five years thereafter. The Agency directed that all redevelopment corporations conduct such a review. SEDC has reviewed each of its implementation plans, accordingly.



Scale: 1" = 850'



Redevelopment Project Area Boundary



05/05/04

MOUNT HOPE *Redevelopment Project Area*

FIGURE
2

TABLE 1

**Project Area Profile
Mount Hope Redevelopment Project**

Land Area:	Approximately 210 gross acres, inclusive of public rights-of-way
Boundary:	Bounded by SR-15 to the east, I-805 to the west, F Street to the north, and Market Street to the south.
Land Use:	70% Residential 24% Public right-of-way 3% Industrial 3% Commercial
Date Adopted:	September 14, 1982
Term Limit:	November 22, 2017
Tax Increment Limit:	\$47.0 million
Bonded Indebtedness Limit:	\$14.2 million
Current Tax Increment Flow:	\$1,167,000

Source: SEDC, April 2004

II. PROJECT GOALS AND OBJECTIVES

As described in the Mount Hope Redevelopment Plan, August 1982, the Project Area was chosen for redevelopment in order to eliminate blighting influences, strengthen residential areas and provide new housing opportunities, strengthen existing businesses, and attract commercial, industrial and retail businesses.

A. Blighting Conditions

The Agency's Report to the City Council for the Redevelopment Plan presented a detailed assessment of blighting conditions in the Project Area at the time of plan adoption. The Report documented extensive blighting conditions in the area, including both physical deterioration and economic dislocation. The area has suffered for many years from a loss of private investment and development activity, due in large part to deteriorating physical conditions, crime, the limited income of its residents, and overall image. The Agency's Report identified specific blighting influences in the Project Area as follows:

- High crime rate/lack of public safety.
- A large percentage of deteriorated and dilapidated structures.
- Inadequate public improvements, facilities, and utilities.
- Inferior circulation.
- Under-utilized land, including the 74-acre Helix Heights site (now Gateway Center East).
- Incompatible land uses.
- Lack of adequate shopping facilities.
- Business migration out of Project Area.
- High unemployment rate.

B. Objectives and Actions Necessary for Alleviation of Blight

The Agency's Report to the City Council identified the key objectives and actions required for revitalization of the Project Areas as follows:

- Development of under-utilized parcels of land and/or assembly of development sites of appropriate size and configuration. The under-utilized Helix Heights site (Gateway Center East), in particular, was identified as a potential site for a business park to encourage expansion and retention of businesses and employment in the Project Area.
- Preservation and rehabilitation of existing residential areas.
- Development of a variety of new in-fill housing.
- Improvements to existing public infrastructure and circulation.

III. COMPLETED PROJECTS AND CONTRIBUTION TO BLIGHT ALLEVIATION

The Agency has completed numerous projects in the Mount Hope Redevelopment Project Area since the Redevelopment Plan was adopted in 1982. These have included both assistance to private development activities and installation and improvement of public infrastructure and facilities. Agency activities in the Project Area are reviewed below and described in greater detail in Tables 2 and 3.

A. Completed Private Projects

The Agency's actions to sponsor private development in the Project Area have largely focused on redevelopment of the under-utilized Helix Heights site located in the southeast quadrant of the intersection formed by the 94 and 15 freeways. The entire site has been successfully developed as the Gateway Center East (GWCE) Industrial Park, which includes office, industrial, and retail uses. More than 30 corporations have been attracted to the 62-acre industrial park, including Costco; Figi Graphics; and Commercial Press, the largest commercial printing business in the City; and the Urban League, which relocated to Gateway Center East in 2000. The businesses within GWCE have provided more than 1,000 jobs. They have also provided shopping and business opportunities for community residents. In conjunction with development of the Costco warehouse, the Agency also assisted in formation of the College of Retail, which provided training programs for area residents interested in working in the retail sector.

The Agency assisted in the development of the Morrison Street Homes project, an in-fill development of 14 single-family homes.

In addition, the Agency has implemented several other assistance programs for commercial establishments and homeowners in the Project Area, as follows:

- Mount Hope Housing Rehabilitation Grant/Loan Program – The Agency operates a rehabilitation grant and loan program in the Project Area. This program provides grants and low-interest loans to low and moderate-income homebuyers wishing to rehabilitate their homes.
- Revolving Loan Fund – The Agency has also implemented a revolving loan fund program to provide investment capital for new and established businesses to facilitate growth and expansion. Since 1982, the revolving loan program has assisted 36 businesses in all four of SEDC's Project Areas by providing approximately \$972,000 in loans.

The Agency's activities in the Mount Hope Redevelopment Project have been targeted at redevelopment of under-utilized properties to provide business and employment

opportunities for community residents. As shown in Table 2, these activities have contributed substantially to the alleviation of blighting conditions such as crime, deteriorated structures, infrastructure deficiencies, inferior circulation, under-utilized land, lack of adequate shopping, business out-migration, and unemployment.

B. Completed Public Improvements

The Agency has undertaken several major public improvements in the Project Area. Most notable are improvements completed in support of Gateway Center East, including grading and installation of streets, street landscaping, and landscaped medians. Other public improvements completed in the Plan Amendment include street widening and paving, drainage improvements, and installation of gutters and sidewalks. Table 3 lists the major public projects completed in the Project Area and their contribution to blight alleviation. The Agency's efforts have contributed to the alleviation of infrastructure deficiencies, vacant/underutilized lots, and crime.

C. Expenditure of Funds

As shown in SEDC's Fiscal Year (FY) 2004 budget, cumulative Agency expenditures for the Mount Hope Redevelopment Project totaled approximately \$40.8 million through FY 2003. These funds were dedicated to administrative and planning functions, public improvements in support of private development, and homebuyer assistance and housing rehabilitation loans. In FY 2005, the Agency expects to incur total expenditures related to the Mount Hope Redevelopment Project of \$9.5 million.

TABLE 2

COMPLETED PROJECTS AND PROGRAMS AND CONTRIBUTION TO BLIGHT REMOVAL - PRIVATE
MOUNT HOPE REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

Project/Program	Date Completed	Project/Program Description	Contribution to Blight Removal
Private Development Program:			
Morrison Street Homes (Phase I & II)	1994	New construction of 14 single-family homes on a vacant site. Eight (8) homes restricted to low and moderate income households.	<ul style="list-style-type: none"> Utilized unproductive land Increased supply of affordable housing
Costco Expansion	February 2000	New construction of an 140,000-SF retail facility.	<ul style="list-style-type: none"> Served unmet commercial and retail needs Created employment opportunities Prevented business out-migration
Gateway Center East Business Park	February 2000	Development of business park with 26 industrial and commercial businesses on an 66-acre site.	<ul style="list-style-type: none"> Served unmet commercial and retail needs Created employment opportunities Prevented business out-migration Utilized unproductive land Alleviated incompatible land uses
Urban League Headquarters	October 2000	Property acquisition and building demolition for relocation of Urban League Headquarters to Gateway Center East.	<ul style="list-style-type: none"> Alleviated crime/lack of public safety Created neighborhood stability Prevented business out-migration Alleviated deteriorated/dilapidated structures
Mount Hope Housing Rehabilitation Grant/Loan Program	December 2003	Grants and low-interest loans for rehabilitation of residential properties to low or moderate income households.	<ul style="list-style-type: none"> Provided stability to the Project Area by enhancing the permanent residential base
Revolving Loan Fund	March 2004	Loans provided to assist area businesses with expansion. Administration of program transferred to City of San Diego in March 2004.	<ul style="list-style-type: none"> Alleviated crime/lack of public safety Provided commercial opportunities Alleviated deteriorated/dilapidated structures Served unmet commercial and retail needs Prevented business out-migration Created employment opportunities Utilized unproductive land

TABLE 3

**COMPLETED PROJECTS AND PROGRAMS AND CONTRIBUTION TO BLIGHT REMOVAL - PUBLIC
MOUNT HOPE REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

Project/Program	Date Completed	Project/Program Description	Contribution to Blight Removal
<i>Public Improvement Program:</i>			
Gateway Center East Public Improvements	1998	Installation of public improvements including grading, two public streets, street landscaping, and landscaped medians.	<ul style="list-style-type: none">• Enhanced the potential for new private development by improving public infrastructure• Utilized unproductive land• Alleviated incompatible land uses• Alleviated crime/lack of public safety
Mount Hope Public Improvements	1998	Installation of public improvements including curb, gutter and sidewalks, street widening and paving, and drainage improvements.	<ul style="list-style-type: none">• Enhanced the potential for new private development by improving public infrastructure• Alleviated crime/lack of public safety• Prevented business out-migration

IV. UPDATED ASSESSMENT OF CURRENT BLIGHTING CONDITIONS

The Agency has taken important steps toward the alleviation of blighting conditions in the Project Area. Nevertheless, blighting conditions are still present in the Project Area, and continue to impair private investment and development activity. As a result, a number of important developments and improvements still need to be implemented in order to achieve the Agency's goals and objectives.

A summary of the current blighting conditions in the Project Area are as follows:

- High crime rate/lack of public safety.
- A large percentage of deteriorated and dilapidated structures, especially commercial buildings along Market Street.
- Inadequate public improvements, facilities, and utilities.
- Lack of adequate shopping facilities.
- Business migration out of Project Area.
- High unemployment rate.

V. GOALS AND OBJECTIVES, PROPOSED PROJECTS, AND CONTRIBUTION TO BLIGHT ALLEVIATION

This section identifies the Agency's goals and objectives, specific programs, and possible projects in the Project Area for the next five years. Explanation is also provided as to how these goals and programs will alleviate blight. Planned expenditures are also reviewed in this section.

A. Goals and Objectives

The Agency's principal goals and objectives for the Project Area for the period between July 2004 – June 2009 are as follows:

- Issue Request for Qualifications (RFQ) to develop Agency-owned sites on Market Street.
- Amend Mount Hope Redevelopment Plan to allow increased densities and mixed-use.
- Prepare planning study for area west of 36th Street and south of Market Street.
- Amend Mount Hope Redevelopment Plan to add eminent domain to provide for acquisition of sites adjacent to Agency-owned properties and to increase development options.
- Review feasibility of Project Area expansion.
- Provide continued support toward development of in-fill housing projects.
- Integrate public art whenever possible.
- Continue to fund Housing Rehabilitation Program.

B. Proposed Private Projects

To achieve these objectives, the Agency proposes to undertake the programs and possible private development projects listed in Table 4 and summarized below. For each proposed activity, the table indicates blighted conditions that will be alleviated.

The Agency plans a program of private development on various sites in the Project Area. Agency activities in support of development on these potential sites include:

- Assistance with new residential development on the former location of the San Diego Urban League.
- Development of seven residential units on a site with irregular topography conditions at 35th and Tompkins.
- Assistance with the development of 20 residential units at J Street and 41st through 42nd Street. The site is challenged by short property depth and a drainage channel on the site.
- Acquisition of a portion of 22 acres of excess cemetery property at Market Street and 36th for the development of up to 150 residential units, or a commercial retail center.

As shown in Table 4, Agency-sponsored private developments in the Project Area can be expected to contribute to blight alleviation by reducing conditions such as crime, infrastructure deficiencies, lack of adequate shopping facilities, business out-migration, unemployment, lack of affordable housing, residential overcrowding, depreciated/stagnated property values, parcels of irregular/size/shape/topography, and vacant/underutilized lots.

C. Proposed Public Improvements

The Agency also plans to undertake a number of major public improvements in the Project Area during the next five years. These include:

- Identifying funding for installation of streetscape improvements on Market Street from Boundary Street to Interstate 805.
- Expanding existing lighting assessment district to include maintenance of new landscaping.

Table 5 shows that the proposed public improvements will contribute to the alleviation of crime, business out-migration, and depreciated/stagnated property values.

TABLE 4

**PROPOSED PROJECTS AND PROGRAMS AND CONTRIBUTION TO BLIGHT REMOVAL - PRIVATE
MOUNT HOPE REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

Project/Program	Existing Use	Project/Program Description	Contribution to Blight Removal
Private Development Program:			
Market Street Housing-Mount Hope Village	Vacant land and existing commercial and residential uses	New construction of ten single-family homes.	<ul style="list-style-type: none"> • Alleviate crime/lack of public safety • Utilize unproductive land • Increase supply of affordable housing • Provide stability to the Project Area by enhancing the permanent residential base • Alleviate depreciated/stagnant property values • Provide homeownership opportunities
35th & Tompkins	Vacant land and an older building	New construction of seven units.	<ul style="list-style-type: none"> • Alleviate crime/lack of public safety • Utilize unproductive land • Increase supply of affordable housing • Provide stability to the Project Area by enhancing the permanent residential base • Alleviate depreciated/stagnant property values • Provide homeownership opportunities
J Street between 41st and 42nd Streets	Vacant	New construction of 20 multi-family units.	<ul style="list-style-type: none"> • Alleviate crime/lack of public safety • Utilize unproductive land • Increase supply of affordable housing • Provide stability to the Project Area by enhancing the permanent residential base • Alleviate depreciated/stagnant property values • Provide homeownership opportunities
Market Street and 36th	Vacant	Proposed acquisition of 10 acres of excess cemetery property to develop possibly 150 units or a commercial retail center.	<ul style="list-style-type: none"> • Alleviate crime/lack of public safety • Create neighborhood stability • Utilize unproductive land • Alleviate depreciated/stagnant property values

TABLE 5

**PROPOSED PROJECTS AND PROGRAMS AND CONTRIBUTION TO BLIGHT REMOVAL - PUBLIC
MOUNT HOPE REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION**

Project/Program	Existing Use	Project/Program Description	Contribution to Blight Removal
<i>Public Improvement Program:</i>			
Market Street Streetscape Improvements	N/A	Identify funding for installation of streetscape on Market Street from Boundary Street to Interstate 805. Expand existing lighting assessment district to include maintenance of new landscaping.	<ul style="list-style-type: none">• Alleviate crime/lackof public safety• Alleviate depreciated/stagnant property values

D. Proposed Expenditures

Redevelopment agencies are required to identify their proposed expenditures over the next five years for purposes of alleviating blight. Agency expenditures for the programs identified in this five-year plan will be derived from the following sources:

- Sale of tax allocation bonds supported by tax increment revenues from the Project Area.
- Tax increment revenues over and above the amounts required to cover debt service on the tax allocation bonds.
- Housing set-aside funds, which must be used for low and moderate income housing. (The status of the Agency's Housing Funds, possible housing developments, and potential expenditures are reviewed in the next section.)
- Loans and advances that may be provided from time to time by the City of San Diego.
- Section 108 loans.
- Proceeds from sales and land leases to private developers for purposes of implementing specific redevelopment projects.
- Loans and advances from private developers.

Tax revenues are expected to represent the major funding sources for Agency programs. In FY 2005 the Agency expects to receive about \$916,000 in net tax increment from the Mount Hope Redevelopment Project. Net tax increment is the amount available for new programs after pass-throughs, contributions toward the Education Revenue Augmentation Fund (ERAF), and County administrative fees. The Agency expects this figure to rise about 2% annually over the next five years. Based on this assumption, the Agency can expect to receive approximately \$4,800,000 (not discounted) in net tax increment over the next five years.

Gross estimates of Agency expenditures for each proposed project identified in the previous section are listed in Table 6. The actual amount and timing of Agency expenditures will depend on the availability of funding. The Agency will continue to leverage its limited financial resources with other funding sources in order to implement its redevelopment programs. These may include, among others, advances or payments from developers and property owners, loans from the City, low-income housing tax credits, and financial participation by other public agencies. In some cases, it may be prudent for the Agency to aggregate funds to certain minimum levels before investing in programs and projects identified in this Plan.

TABLE 6

ESTIMATED EXPENDITURES ⁽¹⁾
MOUNT HOPE REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

Private Projects/Programs	Description	Estimated Expenditure
<ul style="list-style-type: none">• Mount Hope Housing Rehabilitation Grant/Loan Program	To fund program	\$200,000
<ul style="list-style-type: none">• Market Street Housing-Mount Hope Village	Additional site acquisitions	\$1,000,000
<ul style="list-style-type: none">• Market Street Streetscape Improvements	Install streetscape	\$350,000
Total		\$1,550,000

(1) Based on data from SEDC as of May 2004. Reflects estimated expenditures for proposed projects and programs identified in Tables 4 and 5, with the exception of those projects/programs for which a specific scope of development has yet to be determined.

VI. HOUSING PRODUCTION PLAN

In addition to the removal of blight, a fundamental purpose of redevelopment is to expand and preserve the supply of low and moderate income housing. To accomplish this purpose, California Redevelopment Law contains numerous provisions to guide redevelopment agency activities with regard to affordable housing. One of these provisions is a requirement placed on redevelopment agencies to include a housing production plan in each five-year Implementation Plan. The housing plan must specify the Agency's intended approaches to increase, improve, and preserve the supply of low and moderate income housing.

This section is organized as follows:

- First, a review of SEDC Housing Assistance programs, programs provided in cooperation with the San Diego Housing Commission, and the Agency's Comprehensive Affordable Housing Strategy Collaborative (Collaborative).
- Next, discussion of the three principal housing mandates of California Redevelopment Law -- housing set-aside funds, the replacement rule, and the inclusionary obligation -- including an assessment of the Agency's present situation with respect to each requirement.
- Lastly, specific targets for housing production are identified for five- and ten-year horizons, as well as the life of the Project Area.

A. Housing Assistance Programs

1. SEDC Housing Assistance Programs

The Agency has implemented a number of special assistance programs to achieve its goals for maintaining affordability and rehabilitating housing in the Project Area. SEDC has primarily focused on owner-occupied housing assistance. SEDC's current programs work through increasing opportunities for affordable financing for the acquisition and/or rehabilitation of existing single-family homes. To increase the supply of affordable housing, SEDC's programs include development financing assistance, such as land acquisition/construction loans and gap financing for new developments. For first-time homebuyers, SEDC offers shared equity loans (silent seconds) and down payment and/or closing cost assistance for low to moderate income families.

In addition, SEDC has facilitated homebuyer workshops, where potential purchasers are provided with information on the homebuying process as well as the various home loan

programs available in the marketplace. Purchasers receive a credit report, are pre-qualified for a home loan, and, where necessary, are assisted with budgeting for a down payment.

In 1999, SEDC adopted an update to its 1993 Housing Policies and Program document. Development guidance was one of the major issues addressed in the updated document. SEDC formed a multi-family advisory committee to establish development guidelines. In 2000 SEDC adopted the Multi-Family Development Guidelines which are utilized to evaluate multi-family development proposals. The Guidelines address the site planning, architectural, and landscaping components of development that have an impact on the physical and social fabric of the community.

Cooperation with San Diego Housing Commission

SEDC works closely with the San Diego Housing Commission (SDHC) in developing and marketing affordable housing finance programs in its project areas. Their overall policy goals are to work together to provide additional rehabilitation and homeownership opportunities. Efforts for the Project Area have concentrated on the Shared Equity and Downpayment Grant Programs for low to moderate first-time homebuyers. Together SEDC and SDHC have developed applicant criteria and loan terms and conditions; involved real estate agents; and enlisted financial institutions in funding the loans.

2. Agency's Comprehensive Affordable Housing Strategy Collaborative

The Redevelopment Agency, comprised of the City's Redevelopment Division, Centre City Development Corporation (CCDC) and SEDC, has formed a collaborative with the San Diego Housing Commission to accelerate and encourage new affordable housing development citywide. In January 2003, leveraging housing set-aside funds, the Collaborative issued a Notice of Funding Availability (NOFA) announcing the availability of \$55 million to provide gap financing for very low, low, and moderate income housing. The Project Area, along with the 15 other redevelopment project areas in the City of San Diego, is eligible to participate in this program, both financially and with proposed projects. The NOFA has so far generated significant interest from developers and as the funds are committed during 2004, the Agency will consider issuing another such notice perhaps by 2005.

B. Low and Moderate Income Housing Requirements

1. Housing Set-Aside Strategy

State Redevelopment Law requires that 20% of the tax increment generated in Project Areas be used for the purposes of increasing or improving the community's supply of very low, low, and moderate income housing. State law mandates that redevelopment agencies

use housing set-aside monies in a timely manner, or otherwise forfeit these funds to other public agencies with housing responsibilities. Specifically, the law stipulates that agencies may not retain “Excess Surplus” in their set-aside housing funds. “Excess Surplus” is defined as the amount of an Agency’s Housing Fund in excess of \$1,000,000, or the amount in the fund in excess of the aggregate contribution of the prior four-year period.

To date the Agency has made cumulative total deposits into the Mount Hope Low/Mod (20%) Housing Fund of approximately \$3,600,000. About \$3,000,000 of these funds were expended to assist with housing related street improvements, housing site acquisitions, and rehabilitation programs. Additional funding other than set-aside funds were expended for overhead and administrative costs associate with housing activities and debt service payments. As a result, the Agency’s current total balance of housing set-aside funds is approximately \$459,000.

Housing Fund Targeting

Under California Health and Safety Code Section 33334.4, the Agency must target set-aside expenditures in accordance with an income proportionality test and an age restriction proportionality test. These proportionality tests must be met between January 1, 2002 and December 2014, and then again through the termination of the Project Area. These tests do not have to be met on an annual basis.

Housing Need

The income proportionality test requires that the Agency target set-aside expenditures to the relative percentage of unmet need for very low, low, and moderate income units, as defined in the City’s most recently approved Housing Element. Based on the City’s 1999-2004 Housing Element, the Agency’s minimum required allocation for very low and low income expenditures, and maximum moderate income housing expenditures are:

Very Low Income:	At least 32%
Lower Income	At least 29%
Moderate Income	No more than 39%

The Agency is entitled to expend a disproportionate amount of funds for very low income households, and to subtract a commensurate amount from the low and/or moderate income thresholds. Similarly, the Agency can provide a disproportionate amount of funding for low income housing by reducing the amount of funds allocated to moderate income households. In no event can the expenditures targeted to moderate income households exceed the established threshold amount.

In order to meet the income targeting standards, SEDC proposes that this Implementation Plan allocate 32% of the Housing Fund project and program expenditures to very low income households, 29% of the fund to low income households, and no more than 39% of the funds to moderate income households.

Expenditures on Senior Citizen Projects

The age restriction proportionality test requires that the maximum percentage of set-aside funds that an agency can allocate to senior housing is limited to the percentage of residents within the City that are 65 years of age and older, as reported by the most recent census of the U.S. Census Bureau.

As shown below, according to Census 2000, 10.5% of the City's population is aged 65 years or older.

City of San Diego Senior Test:		
Under 65 Year Old	1,095,392	89.5%
65 Years and Older	128,008	10.5%
Source: U.S. Census, Census 2000		

In order to meet the age restriction proportionality test requirements, SEDC proposes that this Implementation Plan allocate 89.5% of the Housing Fund project and program expenditures to non-age-restricted housing.

2. Replacement Obligation

State law also requires the replacement of low and moderate income housing when an agency causes the removal of such housing as part of its redevelopment activities. Redevelopment agencies are required to cause the development of replacement dwelling units, for low or moderate income households, in numbers equal to those eliminated, within four years of removal.

To date, redevelopment activities in the Mount Hope Redevelopment Project have not caused any housing units or households to be displaced. Plans for the future do not anticipate the removal of any housing units. Consequently, SEDC does not anticipate having to provide replacement housing units in this Project Area.

3. Inclusionary Housing

State law incorporates inclusionary housing requirements where defined percentages of housing must be reserved for low and moderate income households. Where the Agency does not directly develop or substantially rehabilitate units, at least 15% of all new or substantially rehabilitated units in a Project Area must be affordable to low and moderate income households. Of the 15% reserved, 40% must be restricted to very low income households.

If housing is developed or rehabilitated by the Agency itself, 30% of the housing must be affordable to low and moderate income households. Of those units, 50% must be affordable to very low income households.

Prices or rents for inclusionary units must be restricted by Agency-imposed covenants for the longest feasible time, as determined by the Agency. With respect to for-sale housing, this restriction must apply for a minimum of 45 years. The minimum requirement for rental housing is 55 years.

State law allows redevelopment agencies to combine developments from several Project Areas to meet the inclusionary housing obligation described above. In addition, housing production outside Project Areas may be counted, on a 2-for-1 basis, in order to fulfill these requirements.

Status of Inclusionary Production: A summary of total housing production and percentages reserved for low and moderate income residents in the Project Area is presented in Table 7.

As shown, a total of 14 housing units have been developed in the Mount Hope Project Area. All of the housing units produced have been built by private developers.

Based on this production level, the Agency's inclusionary obligation for low and moderate-income units is three units. It is important to note that while eight of the units in the Morrison Street Homes development included affordability restrictions, these restrictions were for periods less than the minimum 45 years for for-sale housing, and therefore cannot be counted toward meeting the Agency's inclusionary obligation.

In sum, the Mount Hope Redevelopment Project has yielded a total inclusionary obligation of three low/moderate income units, of which one must be affordable to very low-income households.

TABLE 7

SUMMARY OF PRIOR HOUSING PRODUCTION (SEPTEMBER 1982 - JUNE 2004)
MOUNT HOPE REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

Prior Housing Production (September 1982 - June 2004)

<u>Project</u>	<u>Total Number of Units</u>	<u>Inclusionary Obligation @ 15.0%</u>	<u>Qualifying as Inclusionary Units</u>	
			<u>Moderate</u>	<u>Very Low</u>
Morrison Street Homes (Phases I & II)	14	3		
Total Prior Housing Production (1992-2004)	14	3	0	0

Total Inclusionary Housing Surplus/(Deficit) (1986-2004):			
	<u>Total Surplus/(Deficit)</u>	<u>Moderate</u>	<u>Very Low</u> ⁽¹⁾
Inclusionary Units Produced	0	0	0
(Less) Inclusionary Obligation	(3)	(2)	(1)
Total Inclusionary Housing Surplus/(Deficit)	(3)	(2)	(1)

(1) Forty percent (40%) of the inclusionary housing obligation should be targeted to very low-income households.

C. Proposed Housing Program

Redevelopment agencies are required to outline proposed housing activities at varying levels of detail for five years, ten years, and the life of the Redevelopment Plan. Accordingly, this section addresses the Agency's housing goals, and identifies planned housing production, both market-rate and affordable, for all three time periods.

Agency Goals: The Agency has identified four key housing goals for the Project Area:

- The promotion of neighborhood stability;
- The promotion of opportunities for homeownership for families of low and moderate income as well as market-rate;
- Preservation and rehabilitation of existing owner-occupied dwelling units; and
- Assistance to rehabilitate or otherwise improve existing housing developments that are creating neighborhood problems.

To accomplish these goals, the Agency has estimated inclusionary housing production over the next five years, ten years, and the life of the Redevelopment Plan. As presented in Tables 8 through 10 and summarized below, the estimates reflect a review by Agency staff of future redevelopment potential, including the potential to implement Community Plan Amendments to increase densities in targeted areas.

<u>Housing Production:</u>	<u>5-Year Plan</u>	<u>10-Year Plan</u>	<u>Lifetime Plan</u>
Number of Units Produced	37	187	187
Total Inclusionary Obligation @ 15%	7	29	29
Add: Inclusionary Housing Deficit through June 2004	<u>3</u>	<u>3</u>	<u>3</u>
Net Inclusionary Housing Obligation	10	32	32
Inclusionary Housing Affordability Requirements:			
Very Low Income ⁽¹⁾	5	14	14
Moderate Income	<u>5</u>	<u>18</u>	<u>18</u>
Total Inclusionary Obligation	10	32	32
(1) Very low income inclusionary obligation exceeds 40% requirement in order for the Agency to satisfy an existing deficit in the number of very low income units produced to date.			

TABLE 8

FORECAST OF PROPOSED HOUSING PRODUCTION AND INCLUSIONARY HOUSING OBLIGATION - FIVE-YEAR PLAN
MOUNT HOPE REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

I. Proposed Housing Production (July 2004 - June 2009)

Project	<u>FY</u> <u>2005</u>	<u>FY</u> <u>2006</u>	<u>FY</u> <u>2007</u>	<u>FY</u> <u>2008</u>	<u>FY</u> <u>2009</u>	Total Number of Units <u>FY 2005 - FY 2009</u>	Inclusionary Obligation @ <u>15.0%</u>
Market Street Housing - Mount Hope Village				10		10	2
35th & Tompkins				7		7	2
J Street and 41st = 42nd Streets					20	20	3
Total Proposed Housing Production	0	0	0	17	20	37	7

II. Estimated Inclusionary Housing Obligation

April 1986 - June 2004 (Table 7)	3
Projected through FY 2009	<u>7</u>
Total Inclusionary Housing Obligation (April 1986 - FY 2009)	10

III. Projected Inclusionary Housing Production

	<u>Moderate</u>	<u>Very Low</u>	(1)	<u>Total</u>
Inclusionary Housing Units Produced through June 2004	0	0		0
Add: Projected Inclusionary Housing Production (FY 2005 - FY 2009)	<u>5</u>	<u>5</u>	(2)	<u>10</u>
Total Projected Inclusionary Housing Production	5	5		10

(1) Forty percent (40%) of the inclusionary housing obligation should be targeted to very low-income households.

(2) Very low income inclusionary obligation exceeds 40% requirement in order for the Agency to satisfy an existing deficit in the number of very low income units produced to date.

TABLE 9

FORECAST OF PROPOSED HOUSING PRODUCTION AND INCLUSIONARY HOUSING OBLIGATION - 10-YEAR PLAN
MOUNT HOPE REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

I. Proposed Housing Production (July 2004 - June 2014)			Total Number of Units	Inclusionary Obligation @
	<u>FY 2005 - FY 2009</u>	<u>FY 2010 - FY 2014</u>	<u>FY 2005 - FY 2014</u>	<u>15.0%</u>
Total Proposed Housing Production	37	150	187	29
II. Estimated Inclusionary Housing Obligation				
April 1986 - June 2004 (Table 7)				3
Projected through FY 2014				<u>29</u>
Total Inclusionary Housing Obligation (April 1986 - FY 2009)				32
III. Projected Inclusionary Housing Production				
	<u>Moderate</u>	<u>Very Low</u>	(1)	<u>Total</u>
Inclusionary Housing Units Produced through June 2004	0	0		0
Add: Projected Inclusionary Housing Production (FY 2005 - FY 2014)	<u>18</u>	<u>14</u>	(2)	<u>32</u>
Total Projected Inclusionary Housing Production	18	14		32

(1) Forty percent (40%) of the inclusionary housing obligation should be targeted to very low-income households.

(2) Very low income inclusionary obligation exceeds 40% requirement in order for the Agency to satisfy an existing deficit in the number of very low income units produced to date.

TABLE 10

FORECAST OF PROPOSED HOUSING PRODUCTION AND INCLUSIONARY HOUSING OBLIGATION - LIFETIME PLAN
MOUNT HOPE REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

				Total Number of Units FY 2005- Nov. 2017	Inclusionary Obligation @ 15.0%
I. Proposed Housing Production (July 2004 - November 2017)					
	<u>FY 2005 - FY 2009</u>	<u>FY 2010 - FY 2014</u>	<u>FY 2015- Nov. 2017</u>		
Total Proposed Housing Production	37	150	0	187	29
II. Estimated Inclusionary Housing Obligation					
September 1992 - June 2004 (Table 7)					3
Projected through November 2017					<u>29</u>
Total Inclusionary Housing Obligation (September 1992 - November 2017)					32
III. Projected Inclusionary Housing Production					
			<u>Moderate</u>	<u>Very Low</u> (1)	<u>Total</u>
Inclusionary Housing Units Produced through June 2004			0	0	0
Add: Projected Inclusionary Housing Production (FY 2005 - November 2017)			<u>18</u>	<u>14</u> (2)	<u>32</u>
Total Projected Inclusionary Housing Production			18	14	32

(1) Forty percent (40%) of the inclusionary housing obligation should be targeted to very low-income households.

(2) Very low income inclusionary obligation exceeds 40% requirement in order for the Agency to satisfy an existing deficit in the number of very low income units produced to date.

As presented in Tables 11 through 13 and summarized below, an estimate of housing set-aside fund appropriations for all four Project Areas combined was also projected over the next five years, ten years, and the life of the Redevelopment Plan. These estimates are as follows:

<u>Housing Set-Aside Appropriations:</u>		<u>5-Year Plan</u>	<u>10-Year Plan</u>	<u>Lifetime Plan</u>
Total Housing Set-Aside Funds Received (1)		\$3,933,000	\$8,274,000	\$14,328,000
Housing Need Appropriations:				
Very Low	At least 32%	\$1,259,000	\$2,648,000	\$4,585,000
Low	At least 29%	\$1,140,000	\$2,399,000	\$4,155,000
Moderate	No more than 39%	<u>\$1,534,000</u>	<u>\$3,227,000</u>	<u>\$5,588,000</u>
Total		\$3,933,000	\$8,274,000	\$14,328,000
Senior Citizen Projects Appropriations:				
Under 65 Years	89.5%	\$3,520,000	\$7,405,000	\$12,824,000
Old				
65 Years and	No more than 10.5%	<u>\$413,000</u>	<u>\$869,000</u>	<u>\$1,504,000</u>
Older				
Total		\$3,933,000	\$8,274,000	\$14,328,000
(1) Total projected housing funds received over the next five years, ten years, and the life of the Plan, respectively. Estimate reflects the current balance of all four Project Area's housing set-funds combined (\$741,000), increasing by 2.0% per year.				

TABLE 11

PROJECTED HOUSING SET-ASIDE FUND APPROPRIATIONS - FIVE YEAR PLAN
MOUNT HOPE REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

		<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
I. Total Projected Housing Set-Aside Funds Received							
Current Balance @ FY 2004		\$741,000					
Assumed Escalation		2.0%					
Projected Annual Housing Set-Aside Funds Received		\$756,000	\$771,000	\$786,000	\$802,000	\$818,000	\$3,933,000
II. Housing Need Test							
Very Low Income	32%		\$1,259,000				
Lower Income	29%		\$1,140,000				
Moderate Income	<u>39%</u>		<u>\$1,534,000</u>				
Total	100%		\$3,933,000				
III. Expenditures on Senior Citizen Projects							
Under 65 Years Old	89.5%		\$3,520,000				
65 Years and Older	<u>10.5%</u>		<u>\$413,000</u>				
Total	100%		\$3,933,000				

TABLE 12

PROJECTED HOUSING SET-ASIDE FUND APPROPRIATIONS - TEN-YEAR PLAN
MOUNT HOPE REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

			<u>FY</u> <u>2005</u>	<u>FY</u> <u>2009</u>	<u>FY</u> <u>2010</u>	<u>FY</u> <u>2011</u>	<u>FY</u> <u>2012</u>	<u>FY</u> <u>2013</u>	<u>FY</u> <u>2014</u>	<u>Total</u>
I. Total Projected Housing Set-Aside Funds Received										
Current Balance @ FY 2004			\$741,000							
Assumed Escalation			2.0%							
Projected Annual Housing Set-Aside Funds Received			\$756,000	\$818,000	\$834,000	\$851,000	\$868,000	\$885,000	\$903,000	\$8,274,000
II. Housing Need Test										
Very Low Income	32%		\$2,648,000							
Lower Income	29%		\$2,399,000							
Moderate Income	<u>39%</u>		<u>\$3,227,000</u>							
Total	100%		\$8,274,000							
III. Expenditures on Senior Citizen Projects										
Under 65 Years Old	89.5%		\$7,405,000							
65 Years and Older	<u>10.5%</u>		<u>\$869,000</u>							
Total	100%		\$8,274,000							

TABLE 13

PROJECTED HOUSING SET-ASIDE FUND APPROPRIATIONS - LIFETIME PLAN ⁽¹⁾
MOUNT HOPE REDEVELOPMENT PROJECT
JULY 2004 - JUNE 2009 IMPLEMENTATION PLAN
SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

I. Total Projected Housing Set-Aside Funds Received

	<u>FY 2005</u>	<u>FY 2020</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>Total</u>
Current Balance @ FY 2004	\$741,000				
Assumed Escalation	2.0%				
Projected Annual Housing Set-Aside Funds Received	\$756,000	\$349,000	\$385,000	\$393,000	\$14,328,000

II. Housing Need Test

Very Low Income	32%	\$4,585,000
Lower Income	29%	\$4,155,000
Moderate Income	<u>39%</u>	<u>\$5,588,000</u>
Total	100%	\$14,328,000

III. Expenditures on Senior Citizen Projects

Under 65 Years Old	89.5%	\$12,824,000
65 Years and Older	<u>10.5%</u>	<u>\$1,504,000</u>
Total	100%	\$14,328,000

(1) Expiration dates for each of the four Redevelopment Plans ranges from 2016 to 2027.